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GREGORY INDUSTRIES LIMITED

AND SUBSIDIARY COMPANIES

ACORN FOREST PRODUCTS LTD. & ACORN TIMBER LTD.

INTERIM FINANCIAL REPORT
FOR THE SIX MONTHS ENDED JUNE 30, 1973

GREGORY INDUSTRIES LIMITED

AND SUBSIDIARY COMPANIES

ACORN FOREST PRODUCTS LTD. & ACORN TIMBER LTD.

PRESIDENT'S REPORT

Net earnings for the six-month period ending June 30, 1973 were \$433,567 (43.4¢ per share), up 400% over earnings of \$108,207 (10.8¢ per share) for the same period last year. Sales for the first half of 1973 were \$6,153,212, up 71% from \$3,555,756 for the comparable period in 1972.

Expansion

Our Whitehorse, Yukon plant expansion is nearing completion and I expect it to be in operation during this year's final quarter. A long term contract for this mill's production has been concluded with Japanese buyers and sales should exceed \$2,000,000 per year.

We are installing kilns at the Tilbury stand, Delta, B.C., small log stud mill which will enable us to dry most of its production. This opens new markets for us, particularly in the U.S. Mid-West, served mostly by rail.

We are currently negotiating for the purchase of another modern coastal sawmill. The acquisition of this medium sized mill is expected to diversify our coastal production facilities and increase them by at least 25%.

Outlook

The short term forecast is unfavorable due to sharply reduced lumber prices, increased labor, interest and raw material costs and strikes in industries affecting the movement of our goods to market. I am confident that the long term world demand for the Company's products will result in price levels sufficiently high enough to maintain our growth.

"PETER J. GREGORY"
President

August, 1973.

STATEMENT OF CONSOLIDATED EARNINGS

For The Six Months Ended June 30, 1973
(unaudited)

	1973	1972
SALES	\$6,153,212	\$3,555,756
EARNINGS BEFORE INCOME TAXES	723,567	208,207
INCOME TAXES	290,000	100,000
NET EARNINGS	\$ 433,567	\$ 108,207
EARNINGS PER SHARE	43.4¢	10.8¢

STATEMENT OF CONSOLIDATED SOURCE AND USE OF FUNDS

For The Six Months Ended June 30, 1973
(unaudited)

	1973	1972
SOURCE OF FUNDS:		
Net earnings	\$ 433,567	\$ 108,207
Charges not involving cash	162,174	76,959
Long-term loans	420,000	26,751
Proceeds from sale of shares	—	348,000
	<u>\$1,015,741</u>	<u>\$ 559,917</u>
USE OF FUNDS:		
Purchase of equipment	\$ 691,703	\$ 112,448
Repayment of long-term loans	120,759	74,513
Purchase shares of Acorn Timber Ltd.	—	100
Payment of (deferred) financing expenses	—	10,000
Payment of predevelopment costs	14,204	—
	<u>\$ 826,666</u>	<u>\$ 197,061</u>
Increase in working capital	189,075	362,856
Working capital at beginning of the period	465,573	28,447
Working capital at end of the period	<u>\$ 654,648</u>	<u>\$ 391,303</u>

Respectfully Submitted On Behalf of the Board:

"Peter J. Gregory" Director

"W. Grant Gerrard" Director

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any we have a headline?
on your business page?
we are a hard working
all Canadian company
Competing with the multi-
nationals. Thank you
Curtis Gregory



gregory industries limited

GREGORY

Interim Report
FOR THE SIX MONTHS ENDED JUNE 30, 1977

gregory industries limited

and subsidiaries

TO THE SHAREHOLDERS

A net profit of \$250,184 (24.3¢ per share) on sales of \$6,720,669 was recorded for the six month period ending June 30, 1977. This compared with a loss of \$22,133 (2.1¢ per share) on sales of \$5,116,164 in the same six month period of 1976. The Company's cash flow from the first six month 1977 operations was \$391,265. Working capital increased \$159,125 during the same period.

The two main reasons for the improved results were better markets for the Company's products and management's success in stabilizing Gregory Paneling Limited's Burnaby operation. Field Sawmills Ltd. in Courtenay had satisfactory results in spite of writing off over \$80,000 worth of unsalable wood chips. Acorn Forest Products Ltd. in Delta was profitable for the period and management is now exploring ways of increasing this mill's production by at least 50%.

The Company is endeavouring to sell the sawmill in Whitehorse, Yukon and has a better opportunity to do so now that it is likely the gas pipeline will follow the Alaska Highway.

The Company's second half results will depend to a great extent on the I.W.A. labour negotiations which still remain unsettled and the ability of B.C. pulp mills to accept delivery of wood chips produced in our sawmills. The market outlook is favorable in the U.S. Other world markets have weakened considerably and are having difficulty maintaining their momentum. Provided there is no further deterioration in any of these factors, the Company will be profitable for the balance of the year.

Respectfully submitted on behalf of the Board.

PETER J. GREGORY
Chairman.

August, 1977

P.S. Enclosed is a small pamphlet illustrating another new product from our paneling division.

Consolidated Statement of Earnings For the six months ended June 30, 1977 (With comparative figures for 1976) (unaudited)

	1977	1976
Sales	\$ 6,720,669	\$ 5,116,164
Earnings (Loss) before logging taxes	297,684	(4,133)
Logging taxes	47,500	18,000
Net earnings (loss)	\$ 250,184	\$ (22,133)
Earnings (Loss) per share	24.3¢	(2.1¢)

Consolidated Statement of Changes in Financial Position For the six months ended June 30, 1977 (With comparative figures for 1976) (unaudited)

Source of Funds:		
Net earnings (loss)	\$ 250,184	\$ (22,133)
Add charges not involving funds	141,081	109,003
From current operations	391,265	86,870
Proceeds from sale of fixed assets	1,100	6,100
Other sources of funds	—	561
	392,365	93,531
Use of Funds:		
Purchase of fixed assets	105,127	59,482
Repayment of long-term debt	94,614	99,917
Other uses of funds	33,499	8,290
	233,240	167,689
Increase (Decrease) in working capital	159,125	(74,158)
Working capital at beginning of the period	444,800	659,568
Working capital at end of the period	\$ 603,925	\$ 585,410

Peter J. Gregory

Peter J. Gregory, Director

W. Grant Gerrard

W. Grant Gerrard, Director

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gregory industries limited

Interim Financial Report
FOR THE SIX MONTHS ENDED JUNE 30, 1978.

TO THE SHAREHOLDERS

A net profit of \$754,072 (73.1¢ per share) on sales of \$11,179,228 was recorded for the six month period ending June 30, 1978. This compared with a net profit of \$250,184 (24.3¢ per share) on sales of \$6,720,669 in the same six month period of 1977.

In addition, during the first half of 1978 there was an extraordinary gain of \$165,000 resulting from a reduction of income taxes on application of prior years' losses. This made the total net earnings for the period ending June 30, 1978, after this extraordinary item, of \$919,072 (89.1¢ per share). There were no extraordinary items in the corresponding period of 1977.

Cash flow from operations for the first six months of 1978 was \$1,272,454 compared to \$391,265 in the same six month period of 1977.

Working capital increased by \$1,174,471 to a total of \$1,947,870 at June 30, 1978 compared to \$603,925 at June 30, 1977.

This has been the most profitable six months in the history of the Company and results from all divisions being profitable with increased production, higher selling prices and lower costs. All production, including wood chips, is being sold as produced.

The Yukon mill is still for sale. Plans for construction of a sawmill in Anacortes, Washington are progressing but nothing as yet has been finalized.

The outlook for the balance of the year is for continued earnings although not at the same rate of the first six months because of summer vacation shut downs at two of our plants, higher log prices resulting from shortages created by a severe fire season, and a generally expected reduction in lumber prices especially in the U.S. caused by increased rates and shortages of mortgage funds.

The Company has called a Special Shareholders Meeting for August 23, 1978 to deal with amending the Company's Articles and Memorandum; approving the sale of Company shares and the granting of loans by the Company to the management group. A letter has been sent to each shareholder with a full explanation of each transaction.

The Company's first dividend of 5¢ per share has been declared payable September 1, 1978 to shareholders of record August 15, 1978. The Board will review at the end of each quarter its ability to maintain future modest quarterly dividends provided they will not jeopardize a strong working capital position needed to remain competitive in the forest industry. Funds are also required for the ongoing program of plant modernization and expansion.

Respectfully submitted on behalf of the Board.

PETER J. GREGORY,
Chairman.

August 1978

Consolidated Statement of Earnings
For the six months ended June 30, 1978.
(With comparative figures for 1977)
(unaudited)

	1978	1977
Sales	\$ 11,179,228.	\$ 6,720,669.
Earnings before taxes	\$ 1,257,572.	\$ 297,684.
Income and logging taxes, current and deferred	503,500.	47,500.
Earnings before extraordinary item	754,072.	250,184.
Per Share	<u>73.1 ¢</u>	<u>24.3 ¢</u>
Extraordinary item :		
Reduction of income taxes on application of prior years' losses.	165,000.	---
Net Earnings for the period	\$ 919,072.	\$ 250,184.
Per Share	<u>89.1 ¢</u>	<u>24.3 ¢</u>

Consolidated Statement of Changes in Financial Position
For the six months ended June 30, 1978.
(With comparative figures for 1977)
(unaudited)

	1978	1977
Funds provided:		
Net earnings	\$ 919,072.	\$ 250,184.
Add charges not involving funds	353,382.	141,081.
From current operations	1,272,454.	391,265.
Proceeds from sale of fixed assets	150,589.	1,100.
Long term debt financing	297,047.	---
	<u>1,720,090.</u>	<u>392,365.</u>
Funds applied:		
Purchase of property plant & equipment	421,524.	105,127.
Reduction of long-term debt	119,290.	94,614.
Increase in investments and other assets	4,805.	33,499.
	<u>545,619.</u>	<u>233,240.</u>
Increase in working capital	1,174,471.	159,125.
Working capital at beginning of period.	773,399.	444,800.
Working capital at end of the period.	<u>\$ 1,947,870.</u>	<u>\$ 603,925.</u>

Peter J. Gregory
Peter J. Gregory, Director

W. Grant Gerrard
W. Grant Gerrard, Director

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gregory industries limited



interim financial report

FOR THE SIX MONTHS ENDED JUNE 30, 1979



gregory industries limited

Directors' Interim Report to the Shareholders

Record earnings of \$1,178,524 (\$1.36 per share) on sales of \$15,073,115 for the six months ended June 30, 1979 compared with \$754,072 (73¢ per share) on sales of \$11,179,228 for the same period in 1978. Also in 1978 there was an extraordinary gain of \$165,000 resulting in total earnings for the six month period ended June 30, 1978 of \$919,072 (89¢ per share). There were no extraordinary items in 1979.

Cash flow from operations for the first six months of 1979 was \$1,389,396 compared to \$1,272,454 in the same six month period of 1978.

Working capital increased to a total of \$2,687,961 at June 30, 1979 compared to \$1,947,870 at June 30, 1978.

All Divisions were profitable. The primary reasons for these record results were higher selling prices, satisfactory productivity and benefits derived from ongoing capital improvements. The Yukon sawmill is closed down and is still for sale. Plans to construct a sawmill in Anacortes, Washington remain on the shelf.

The Board of Directors recently approved a major expansion of the Paneling Division. A new plant costing \$4,000,000 is being constructed in Delta, B.C. on land acquired earlier this year. Facilities include a large area of blacktop for outside storage, waste-fired steam dry kilns and a new resaw, planer, high speed European moulder as well as trimming and packing equipment all totally enclosed in a 6,000 square meter building. Office and lunchroom facilities are attached to the building. Term financing for this project has been arranged with the Royal Bank of Canada. The new plant is expected to be in full operation by the spring of 1980.

Management is now studying the modernization and expansion of the Acorn Forest Products Division sawmill with particular emphasis on increased productivity, recovery and market diversification.

The Board of Directors on July 25, 1979 declared the Company's fifth consecutive quarterly dividend of 7¢ per share for the quarter ended June 30, 1979 which will be payable on September 1, 1979 to shareholders of record at August 15, 1979.

A new record high labor contract will significantly increase labor costs in the second half of 1979. This combined with a tight log supply and the expected downturn in U.S. markets should caution shareholders not to expect the second half to match the profit performance of the first half. However, the outlook for the company for the balance of the year remains positive and encouraging.

Respectfully Submitted on Behalf of the Board,

Peter J. Gregory,

Chairman

July, 1979

Consolidated Statement of Earnings For the Six Months Ended June 30, 1979

(With comparative figures for 1978)
(unaudited)

	1979	1978
Sales	\$15,073,115	\$11,179,228
Earnings before taxes	\$ 2,066,524	\$ 1,257,572
Income and logging taxes, current and deferred	888,000	503,500
Earnings before extraordinary item	1,178,524	754,072
Per Share	\$1.36	73.1¢
Reduction of income taxes on application of prior years' losses	—	165,000
Net Earnings for the period	\$ 1,178,524	\$ 919,072
Per Share	\$1.36	89.1¢
Number of shares outstanding	869,428*	1,030,928

*The outstanding shares at June 30, 1979 net of 323,000 held by subsidiary.

Consolidated Statement of Changes in Financial Position For the Six Months Ended June 30, 1979

(With comparative figures for 1978)
(unaudited)

	1979	1978
Funds provided:		
Net earnings	\$1,178,524	\$ 919,072
Add items not involving funds	210,872	353,382
From current operations	1,389,396	1,272,454
Long-term debt financing	—	297,047
Proceeds from sale of fixed assets	34,000	150,589
Reduction of loans due from officers	14,539	—
	1,437,935	1,720,090
Funds applied:		
Dividends	104,331	—
Purchase of property, plant and equipment	949,493	421,524
Reduction of long-term debt	139,910	119,290
Increase (decrease) in investments and other assets	(12,820)	4,805
	1,180,914	545,619
Increase in working capital	257,021	1,174,471
Working capital at beginning of period	2,430,940	773,399
Working capital at end of the period	\$2,687,961	\$1,947,870

Peter J. Gregory

Peter J. Gregory, Director

W. Grant Gerrard

W. Grant Gerrard, Director

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interim financial report

FOR THE SIX MONTHS ENDED JUNE 30, 1980



gregory industries limited

Directors' Interim Report to the Shareholders

Net earnings for the six month period ended June 30, 1980 were \$1,024,038 or \$1.18 per share on sales of \$16,933,875 compared to \$1,178,524 or \$1.36 per share on sales of \$15,073,115 for the same period in 1979.

Cash flow from operations for the first six months of 1980 was \$1,740,643 compared to \$1,389,396 in the same six month period in 1979.

Working capital increased to a total of \$4,052,917 at June 30, 1980 compared to \$2,687,961 at June 30, 1979.

The first half earnings for 1980 were affected by start-up costs incurred at the Company's new remanufacturing plant in Delta and the Directors' decision to write off the assets located in the Yukon. The sawmill expansion of the Acorn Forest Products' Division in Delta should be completed by October resulting in almost a doubling of its capacity and greatly improving its efficiency.

The Company's performance during the first six months of 1980 was truly outstanding considering the increasingly depressed market conditions throughout the world. It is only because of the Company's market diversification policy that we have not so far experienced a severe drop-off in earnings as have most other lumber manufacturers. However, even our world wide markets are now being affected by the drastic economic slowdown in the U.S.

As a result of poor markets, increased labour costs, and start-up expenses at the new plants our earnings for the second half of the year will be lower than for the initial six month period. So far we have not curtailed production nor do we expect to during the balance of the year. The timing of our improvements has been good. All new plants should be operating smoothly and profitably by the end of this year to take full advantage of the expected upturn in the lumber demand in 1981.

The Yukon sawmill remains closed down and several alternatives are being investigated. Plans to construct a sawmill in Anacortes, Washington remain on the shelf although there is renewed interest in this proposal from some prospective partners.

The Board of Directors at a meeting on June 25, 1980 declared the Company's tenth dividend. For the quarter ended June 30, 1980, 8¢ per share will be payable on September 1, 1980 to shareholders of record at August 15, 1980.

Respectfully Submitted on Behalf of the Board,

Peter J. Gregory,
Chairman

July, 1980.

Consolidated Statement of Earnings For the Six Months Ended June 30, 1980 (With comparative figures for 1979) (unaudited)

	1980	1979
Sales	\$16,933,875	\$15,073,115
Earnings before taxes	\$ 1,749,038	\$ 2,066,524
Income and logging taxes, current and deferred	725,000	888,000
Net Earnings for the period	\$ 1,024,038	\$ 1,178,524
Per Share	1.18	\$1.36
Number of shares outstanding	869,428*	

*The outstanding shares at June 30, 1980 net of 323,000 held by subsidiary.

Consolidated Statement of Changes in Financial Position For the Six Months Ended June 30, 1980 (With comparative figures for 1979) (unaudited)

	1980	1979
Funds provided:		
Net earnings	\$1,024,038	\$1,178,524
Add items not involving funds	716,605	210,872
From current operations	1,740,643	1,389,396
Long-term debt financing	3,450,000	—
Proceeds from sale of fixed assets	21,767	34,000
Reduction of loans due from officers	27,861	14,539
Decrease in investments and other assets	8,940	12,820
	5,249,211	1,450,755
Funds applied:		
Dividends	199,968	104,331
Purchase of property, plant and equipment	4,232,149	949,493
Reduction of long-term debt	327,132	139,910
	4,759,249	1,193,734
Increase in working capital	489,962	257,021
Working capital at beginning of period	3,562,955	2,430,940
Working capital at end of period	\$4,052,917	\$2,687,961

Peter J. Gregory

Peter J. Gregory, Director

Paul D. Rivers

Paul D. Rivers, Director